

Message Text

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PAGE 01 KUWAIT 02298 180537Z
ACTION NEA-10

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 DOE-15 H-01 INR-10 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-07
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 /126 W
-----053054 181909Z /50

R 171455Z APR 78
FM AMEMBASSY KUWAIT
TO SECSTATE WASHDC 0726
INFO AMEMBASSY ABU DHABI
USINT BAGHDAD
AMCONSUL DHAHRAN
AMEMBASSY DOHA
AMEMBASSY JIDDA
AMEMBASSY TEHRAN

LIMITED OFFICIAL USE KUWAIT 2298

E.O. 11652: N/A
TAGS: ENGR
SUBJ: SUCCESSOR COMPANY TO NATIONALIZED AMINOIL DISSOLVED

REF: (A) KUWAIT 1890, (B) 77 KUWAIT 5636

1. KUWAIT COUNCIL OF MINISTERS APRIL 16 APPROVED DISSOLUTION OF THE KUWAIT WAFRA OIL COMPANY (KWOC), SUCCESSOR COMPANY TO THE AMERICAN INDEPENDENT OIL COMPANY (AMINOIL), WHICH WAS NATIONALIZED IN SEPTEMBER, 1977. COUNCIL, ACTING ON RECOMMENDATIONS OF THE HIGHER PETROLEUM COUNCIL, AGREED THAT KWOC PRODUCTION, MAINTENANCE AND PUMPING OPERATIONS ARE TO BE TAKEN OVER BY THE KUWAIT OIL COMPANY, KUWAIT'S MAJOR (C. 1.7 MILLION B/D CURRENT PRODUCTION), GOVERNMENT-OWNED OIL PRODUCER. THE KUWAIT NATIONAL PETROLEUM COMPANY (KNPC), KUWAIT'S MAJOR REFINER, WILL HANDLE KWOC'S REFINING AND MARKETING OPERATIONS, WITH KWOC STAFF BEING SPLIT BETWEEN KOC AND KNPC.

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PAGE 02 KUWAIT 02298 180537Z

2. COMMENT: MOVE CONFIRMS RUMORS LONG CIRCULATING (REF A) THAT KWOC, WHICH HAD CONTINUED TO BE DESCRIBED AS "UNDER FORMATION", WOULD BE SPLIT UP. MANY IN KUWAIT'S OIL SECTOR FELT THAT KWOC WAS SET UP MOSTLY TO PROVIDE JOBS FOR FORMER OIL MINISTER KAZIMI'S RELATIVE AND FELLOW SHI'A, FUAD AL-MATRUK, AND HIS FRIENDS (REF B). WITH KAZIMI GONE, MATRUK AND

HIS COMPANY LOST THEIR PROTECTOR. MOREOVER, THE NEW OIL MINISTER, SHAIKH ALI KHALIFA, IS NOTED FOR HIS ATTENTION TO THE BOTTOM LINE AND HIS DESIRE TO CONTROL THE OIL SECTOR AND AVOID WASTEFUL PROJECTS AND DUPLICATION. HE PROBABLY SAW NO ECONOMIC JUSTIFICATION FOR THE CONTINUED EXISTENCE OF THE MINISCULE KWOC, RESPONSIBLE FOR LESS THAN 5 PERCENT OF KUWAITI PRODUCTION, AND ACTED ACCORDINGLY.

3. IMPLICATIONS FOR US. DISSOLUTION OF AMINOIL/KWOC MAY LOWER VISIBILITY OF OUTSTANDING AMINOIL/GOK DISPUTE OVER NATIONALIZATION AND MAKE PROCESS OF SETTLEMENT EASIER. KWOC TAKE-OVER BY LARGER KOC AND KNPC WILL NOT PLEASE GETTY OIL, CO-PRODUCER OF WAFRA FIELD WITH KWOC, AS GETTY FEELS THAT WORKING WITH LARGER PRODUCER (KOC) WILL BE MUCH MORE COMPLICATED THAN WORKING WITH SMALL, 80-90,000 B/D PRODUCER LIKE ITSELF.
MAESTRONE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NATIONALIZATION, PETROLEUM INDUSTRY
Control Number: n/a
Copy: SINGLE
Draft Date: 17 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978KUWAIT02298
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780166-0318
Format: TEL
From: KUWAIT
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780450/aaaabqde.tel
Line Count: 79
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 16f727ad-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 KUWAIT 1890, 77 KUWAIT 5636
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2948874
Secure: OPEN
Status: NATIVE
Subject: SUCCESSOR COMPANY TO NATIONALIZED AMINOIL DISSOLVED
TAGS: ENRG, KU, WAFRA OIL, AMINOIL
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/16f727ad-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014